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October 20, 2005

The President
The White House Office
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mr. President:

I am writing you concerning the recommendations that will be formally presented before November 1 of this year by your Advisory Panel on Federal Tax Reform. The public disclosure of the broad outlines of the Panel's recommendations prompts this letter. For reasons discussed below, I believe that it is vitally important that your Administration publicly express its position on the Panel's recommendations almost immediately after they are formally submitted. In addition, I urge you to direct Treasury Secretary Snow to meet his public commitment to develop a detailed tax reform plan before the end of the year.

The Treasury Department staffed the Tax Reform Panel and has been intimately involved in the development of the Panel's recommendations. Unlike everyone else, the Treasury Department does not need time to analyze those recommendations since they already have done that analysis for the Reform Panel. Therefore, there is no reason why your Administration's response cannot immediately follow public disclosure of the Panel's recommendations.

Mr. President, you devoted considerable time and attention to the issue of Social Security this year. However, at no time during the debate did your Administration submit a formal plan to the Congress that met the standard of Social Security solvency that you so publicly espoused. I believe that the failure to do so worked to your disadvantage. While that failure had political consequences, it had no impact on everyday business or investment decisions in our economy.

In contrast, a similar failure to exercise leadership in the tax reform debate could have *immediate* consequences. In arguing for an extension of the recent tax cuts, your Administration consistently has stated that taxpayers need certainty to plan their affairs. The Tax Reform Panel's recommendations have created enormous uncertainty concerning fundamental and long-standing aspects of our tax laws. That uncertainty could have consequences. For example:

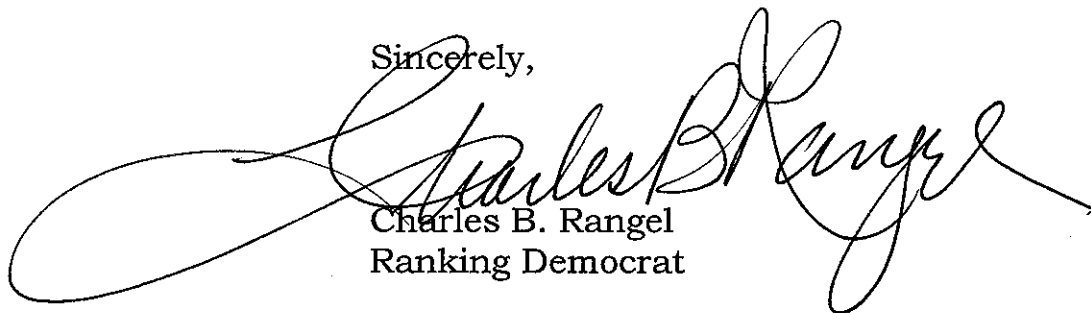
- Individuals may defer home purchases if they believe that the mortgage interest deduction will be limited to mortgages under \$300,000 and that the benefit of the deduction may be dramatically reduced by being converted to a 15% tax credit.
- State and local governments need to know whether your Administration intends to increase the burden of their taxes by denying the long-standing Federal tax deduction for State and local taxes.
- Businesses, whether small or large, may defer investments in plant or equipment which are to be funded in whole or in part through loans if they do not know whether the interest on the loan will continue to be tax deductible.
- Businesses designing health care coverage for their workers need to know the tax treatment of that coverage.
- Families with children in college need to know whether the current tax credits and deductions for tuition expenses will be repealed.
- Unincorporated small businesses need to know whether they will be made subject to the corporate income tax, instead of having their income taxed directly to the business owners.
- Individuals may defer investments in farmland, other real estate, timber, or any other asset other than stock in a corporation, until they know whether gains from the sales of those assets will be taxed at ordinary tax rates.

The President
October 20, 2005
Page 3

- Individuals contemplating the purchase of life-insurance or annuity contracts need to know whether the current tax-favored status of those contracts will be retained.

Mr. President, Congressional Democrats firmly believe that our tax laws need to be reformed. We understand that tax reform will create some uncertainty. However, it is important to reduce that uncertainty to the maximum extent possible. You have an opportunity to reduce uncertainty by taking a public position immediately on the Panel's recommendations. Failure to exercise leadership in this area could have dire economic consequences.

Sincerely,

A large, stylized handwritten signature in black ink, which appears to read "Charles B. Rangel". The signature is fluid and cursive, with a large loop at the beginning and a long, sweeping tail that extends to the right.

Charles B. Rangel
Ranking Democrat

CBR/jma